

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: INTERSTATE POWER AND LIGHT COMPANY	DOCKET NOS. SPU-02-21 SPU-02-23
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ORDER ON REHEARING

(Issued August 1, 2003)

On June 13, 2003, the Utilities Board (Board) issued its “Order Disapproving, Without Prejudice, Applications for Reorganization and Recommending Delineation of Transmission and Local Distribution Facilities” in this docket. On July 3, 2003, the Resale Power Group of Iowa (RPGI) filed an application for rehearing, seeking clarification of part of the Board order. The Consumer Advocate Division of the Department of Justice (Consumer Advocate) and Interstate Power and Light Company (IPL) filed responses on July 14 and July 16, 2003, respectively.

The RPGI asked for clarification of one portion of the Board’s order related to the delineation of transmission and local distribution facilities. The Board, in its order, approved IPL’s proposal to delineate all of its 69 kV transmission facilities as transmission. The RPGI pointed out that testimony at hearing showed that IPL is systematically converting 34.5 kV facilities to 69 kV. (Tr. 495, 499, 561.) What the delineation order does not explicitly state is that current 34.5 kV facilities will be reclassified as transmission facilities when they are converted to 69 kV. The RPGI requested this statement, which it argued is implicit in the order, be made explicit. In

its response to the rehearing request, Consumer Advocate said that it agreed that the Board's approval of IPL's voltage class approach to delineate transmission from distribution facilities requires that IPL's 69 kV facilities, including 34.5 kV facilities converted to 69 kV, be classified as transmission facilities.

IPL argued in its response that simple conversion from 34.5 kV to 69 kV capabilities should not be enough to reclassify a facility as transmission. Instead, IPL said that there should be both a change in the facility's capability and the operations of the facility before a reclassification should occur. In other words, the converted facility should both be capable of operating at 69 kV and actually operate at 69 kV before moving from the distribution to transmission classification.

IPL's approach is contrary to the voltage class approach it advocated at hearing and instead is a circuit-by-circuit approach. The Board believes it would be inconsistent to use a voltage class approach for existing facilities and a circuit-by-circuit approach for facilities that are converted to the capability of operating a 69 kV or above voltage. As noted at page 15 of the Board's June 13, 2003, order, IPL's 34.5 kV facilities do not serve the same function as its closed loop, networked 69 kV facilities. Also, the report prepared by consultants retained by the Board indicated that a circuit-by-circuit approach reached substantially the same result as IPL's voltage class approach.

The Board will adopt the clarification requested by the RPGI. IPL's 34.5 kV facilities will be reclassified from distribution to transmission on an individual basis as those facilities are converted from 34.5 kV operating capability to 69 kV or above

operating capability. The key to an individual facility's reclassification is its capability to operate at 69 kV or above, not whether it is actually operating at this level.

It is important to remember, as the Board said in its June 13, 2003, order, that changes in the electric industry and the operation of IPL's electric system may cause the Board to revisit the delineation issue. What is transmission today may be distribution tomorrow, and vice versa, and the Board reserves the right to recommend new delineations to the Federal Energy Regulatory Commission if the facts and circumstances warrant.

IT IS THEREFORE ORDERED:

1. The application for rehearing filed by the Resale Power Group of Iowa on July 3, 2003, is granted to the extent discussed in this order.
2. The decision and order of the Utilities Board, issued June 13, 2003, is modified in accordance with this order.

UTILITIES BOARD

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 1st day of August, 2003.